

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 1/11/2017

GAIN Report Number:

Panama

Food Service - Hotel Restaurant Institutional

Growing Tourism Fueling Demand for US Food Products

Approved By:

Erik W. Hansen

Prepared By:

Maria Guardia

Report Highlights:

Panama continues to be an attractive market for U.S. food products, especially for the food service sector. GDP in 2016 is expected to reach a healthy 5 percent and the country's major logistical facilities, such as the Panama Canal and ports on both oceans, make it an important hub in the Americas. Major hotels, fine restaurants and international corporations have a home in Panama as does a huge expat community all of which fuels demand for imported U.S. food, beverages, and agricultural products.

Post:

Panama City

SECTION I. MARKET SUMMARY**Economic Situation**

Panama continues to have one of the healthiest economies in the region with growth domestic product (GDP) forecast at 5 percent in 2016. The country's major logistical facilities, such as the Panama Canal and port terminals, as well as a strong legal system and strategic geographical position make the country an important hub in of the Americas. Major hotels, world class restaurants, and international corporations all have a home in Panama as do several thousand expats from various nationalities that have decided to retire here. This strong international presence seen in the country is one of the major drivers of demand for U.S. food, beverages and agricultural products.

Even though Panama's has not had an aggressive tourism campaign in recent history, its tourism sector has seen tremendous growth over the last 10 years prompting the construction of many new hotels, restaurants and convention centers. To aid this trend, the Panamanian government will release a new international campaign starting in 2017 which is expected to boost tourism even further over the next few years.

Since Panama has always benefited from its strategic geographical location and its service-oriented economy that arise from being a natural transit point for cargo and passengers, there are plans to continue to strengthen its ports and logistics centers over the next few years. Panama will build an additional port facility on the Pacific side of the canal and will improve logistical facilities in various parts of the country to be able to compete with new competition in the region such as the ports in Colombia, Costa Rica, Jamaica and Cuba.

HRI Food Service Market

The food service industry is among the strongest in the country due to the many restaurants, hotels, and institutional facilities located in Panama. There are approximately eight established food service companies in Panama. However, two of the major supermarket chains recently established their own food processing and food service facilities, consequently opening more opportunities for U.S. exporters in line with the food service industry. There is also a group of food service companies that supplies local restaurants and is a major provider to the institutional sector. Growth in the food service industry is estimated at 1.4 percent annually primarily due to Panama's expanding population.

Hotels and Resorts

Due to the steady growth of tourism, the hotel industry has doubled in size over the past five years, from 5,863 rooms in 2011 to 10,455 rooms in September 2015. U.S. and international hotel chains present in Panama include Waldorf, Hilton, Marriott, Bristol, Country Inn, Sheraton, Radisson, Holiday Inn, Intercontinental, Riu, Trump Tower, Westin, Manrey, Wyndham Garden, Courtyard Marriott, Novotel, Hotel Las Americas Golden Tower and Tryp. Panamanian hotels and resorts primarily purchase from food service companies and/or directly from supermarkets and restaurants.

For detailed information on the different hotel and resort options in Panama, please access the Association of Hotels in Panama at the following link:

<http://www.apatelpanama.com/listado-de-hoteles-en-panama-miembros-de-apatel/>

Restaurants

Thanks to the diverse ethnic backgrounds of the thousands of tourists and expats coming to Panama each year, there is a wide variety of restaurants with ample offerings of international and ethnic foods. Restaurants in Panama City are well developed and world class chefs that are highly ranked at the international level. There are no statistics as to the current amount of restaurants in Panama. However, due to expanding tourism, growing immigration, and higher consumer purchasing power, the selection of restaurants and international cuisine is expected to continue to grow. Currently, the Panamanian Association of Restaurants and related business have more than 400 members.

Institutional

The institutional sector includes private and public hospitals and the national police, and incarceration systems. Private hospitals have their own logistical operations for patient meals and to supply their cafeterias while public hospitals and the police usually bid their requirements on yearly or 5-year term contracts with local food service providers, restaurants, or food processors. Panama is a service based economy with a very small manufacturing and processing industry. Agriculture only represents 2.8 percent of the economy so most goods and food products for this sector are imported from abroad. Price used to be the main factor for the Panamanian market. But now there is growing demand for higher quality, healthy and trendy products with willingness to pay more for such products. This is due primarily to an increase in consumer purchasing power and additional income from younger working professionals that still live at home.

Table 1. Panama: Advantages and Challenges in the Market

ADVANTAGES	CHALLENGES
Low production of agricultural products leading to strong demand for imports	Recent governmental actions that make importing food, beverages and agricultural products more burdensome
Sophisticated market, good opportunity for ethnic, specialty products and ingredients	Growth in competition from Costa Rica, Chile, Colombia, Brazil, Canada, among others
“Americanized” tastes in the general population	
Good geographical location	
Good logistics and facilities	

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Panama has an open economy and relatively few market access problems. U.S. products are seen as being of high quality and are well accepted overall. The customs clearance process in Panama is relatively fast and trouble-free for U.S. exporters that comply with local requirements. Most import duties were reduced or will be phased- out as a result of the U.S.-Panama Trade Promotion Agreement

(TPA). Additionally, a Sanitary and Phytosanitary Equivalency Agreement that was approved as part of TPA negotiations has substantially reduced bureaucratic requirements previously affecting U.S. exporters of food, beverages and agricultural products. However, due to recent political movements and pressure being placed by local producers to government officials, efforts are being pushed by some Panamanian officials to place greater hurdles on imported food products to protect local producers. For more information, please refer to the FAIRS report in the USDA FAS GAIN system.

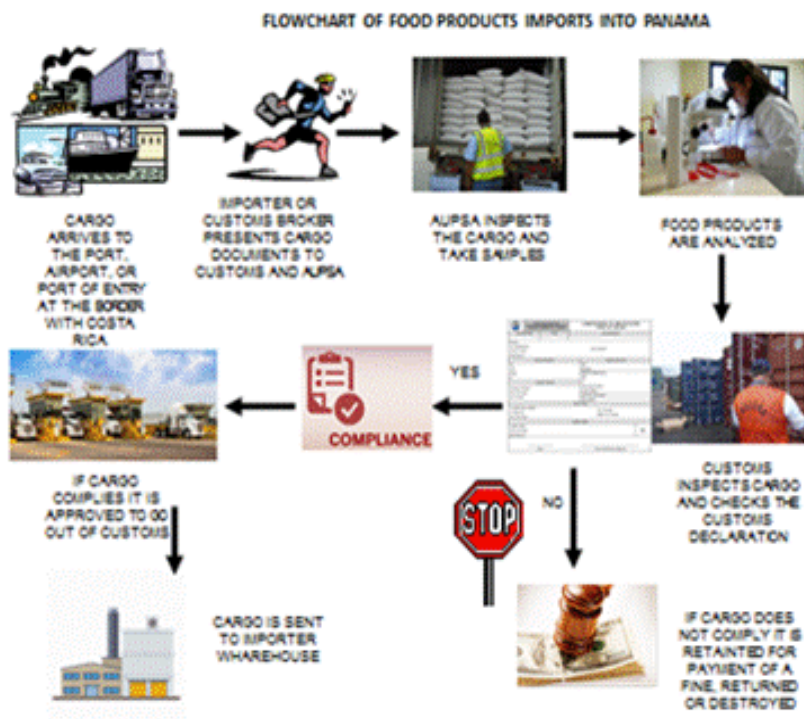
One of the most common market entry options is to appoint an agent or distributor to help navigate the system in Panama. Having a local partner provides U.S. exporters with valuable market knowledge and links with contacts in the HRI sector. Licenses and franchises are also popular in Panama. There are no exclusive distributor protection laws and general commercial laws will govern legal contracts between vendors/suppliers and distributors. Distribution services are mostly governed by private agreements among interested parties. Local laws also allow companies and individuals to import directly bypassing agents or distributors. Most Panamanian importers are fully bilingual and business practices in Panama are very similar to those in the United States. It is advisable to have a distributor and/or a customs broker with experience prior to shipping products to this market. The exporter should coordinate with the importer and have a plan to protect and register their products and/or trademarks.

Panama is a regional hub for major banking centers with more than 70 national and foreign banks based here. Credit may be obtained at competitive market rates from most of these banks. U.S. vendors will usually grant credit terms of 30 to 60 days net to established companies with at least three U.S. trade references. Other payment options include letters of credit and advance payment via wire transfers or bank drafts. There are several international credit information services that offer updated ratings of major distributors. Local credit references can be obtained from the *Asociacion Panameña de Credito* (APC) by affiliation or a service fee. Sales are conducted with a variety of payment terms including 30 to 90 days credit. Most commercial establishments accept credit cards for retail sales. The marketing channel structure in Panama is simple. Direct importers act as wholesalers and sometimes even as retailers themselves. Imported product prices are based on CIF value plus any existing import taxes, custom agent fees, in-country transportation costs, and other product-related costs such as change of labels. The pricing usually excludes U.S. domestic marketing costs allowing for more competitive and attractive prices in the Panamanian market.

B. Market Structure

Products may enter Panama by air, ship, or road. Upon arrival Panama, a shipment will be subject to sanitary and customs checks and later will be released to its final destination.

Below is a chart that describes the process:



Domestic products are generally transported by regular or refrigerated trucks. Most of Panama's trade moves through the Atlantic ports of Manzanillo, Cristobal or Evergreen, on the Pacific through Balboa, and air cargo are handled through Tocumen International Airport. Grains in particular are handled at ports on the Atlantic coast and then trucked to their final destination.

C. SUB-SECTOR PROFILES

Hotels and Resorts

Table 2. Panama: Major Hotels and Chains in Country

Hotel Chain	Hotel Names	F&B Establishments
Aloft Panama	Aloft Panama	Self Service Restaurant, Bar
American Trade Hotel	American Trade Hotel (Boutique Hotel)	International Cuisine, bar and lounge
Bristol	The Bristol Panama	Signature and International Cuisine, Lounge Bar
Country Inn Suites	Country Inn Suites Dorado	Next to TGI
	Country Inn Suites Panama Canal	Next to TGI
Crowne Plaza	Crowne Plaza Panama	International Cuisine
	Crowne Plaza Airport	International Cuisine
Grace	Hotel Grace Panama (Boutique Hotel)	Signature Restaurant, Lounge Bar
Hard Rock	Hard Rock Hotel Panama Megapolis	International Cuisine, Disco Bar
Hilton	Hilton Panama	International Cuisine, Bar and Lounge, Coffee Shop, Steakhouse

	Waldorf Astoria	Thai Food, Bar and Lounge, Steakhouse
	Hampton by Hilton	Coffee Shop
	Double Tree by Hilton	International Cuisine
	Hilton Garden Inn	International Cuisine
Holiday Inn	Holiday Inn City of Knowledge	International Cuisine
	Holiday Inn Express	Coffee Shop
Intercontinental	Miramar Intercontinental	International Cuisine, Bar and Lounge
	Intercontinental Playa Bonita	International Cuisine, Bar and Lounge
Le Meridien	Le Meridien	International Cuisine, Lobby Bar
Marriott	Marriott Panama	International Cuisine, Coffee Shop, Sports Bar
	Courtyard by Marriott-Multiplaza	International Cuisine, Bar and Lounge
	Courtyard by Marriott-Metro Mall	International Cuisine, Bar and Lounge
	J.W. Marriott Buenaventura	International Cuisine, Bar and Lounge
Panama	Panama	International Cuisine, Lounge Bar
Radisson	Radisson Decapolis	International Cuisine
	Radisson Summit Golf Course	International Cuisine
Riande	Continental	International Cuisine, Bar and Lounge
	Riande Aeropuerto	International Cuisine, Bar
	Riande Granada	Signature Cuisine, Coffee Shop
Riu	Riu Panama Plaza	International Cuisine, Coffee Shop
Sercotel Panama Princess Hotel	Sercotel Panama Princess Hotel	International Cuisine, Bar
Sheraton	Sheraton Grand Panama	International Cuisine, Coffee Shop, Bar and Lounge
	Sheraton Bijao	International Cuisine, Coffee Shop, Pizza Parlor, Bar and Lounge
Sortis Hotel and Casino	Sortis Hotel and Casino	International Cuisine, Lobby Bar, Italian Restaurant, Steakhouse
Trump	Trump Ocean Club Hotel and Tower	International Cuisine, Steakhouse, Bar, Coffee Shop
Villa Palma Boutique Hotel	Villa Palma Boutique Hotel	International Cuisine, Sky Bar
Westin	Westin Costa del Este	International Cuisine, Coffee Shop
	Westin Playa Bonita	International Cuisine, Seafood, Asian, Lounge Bar, Snack Bar, Coffee Shop
Wyndham	Tryp by Wyndham, Albrook	International Cuisine, Bar, Coffee Shop
	Veneto Wyndham Grand Hotel	
	Wyndham Garden	
	SMALLER HOTELS	
	Hotel De Ville	International Cuisine
	Hotel Ejecutivo	Coffee Shop, Bar
	Finisterre Suites and Spa	
	Hotel Marbella	Coffee Shop
	Hotel Milan	Coffee Shop, Bar
	Novotel	International Cuisine
	Hotel Terranova	Coffee Shop
	Toscana Inn	
	Plaza Paitilla Inn	International Cuisine
	Hotel Tantaló (Boutique Hotel)	International Cuisine, Sky Bar
	Hotel Tower House Suites	
	Victoria Hotel and Suites	

Restaurants

There are more than 400 restaurant members in the Panama Restaurant Association, which includes gourmet, fast food, mid-level/family-style, coffee shops, food trucks, etc.

Catering Services

Some of the major hotels and restaurants offer catering services and there is also a good assortment of catering services with a varied offer of gourmet, Panamanian, and ethnic foods.

III. COMPETITION

The United States faces stiff competition according to product types. For example, for snack and processed food products, the main competitors are Central American countries and China. For fruits and vegetables, main competitors include Chile, Mexico, and Peru. For grains and oils, Argentina, Canada, Brazil and Guyana compete head-to-head with the United States. For meat, the main competitor is Canada. For dairy products, Costa Rica, Argentina, New Zealand, and Australia all have a strong presence in the market.

In addition, the United States faces competition from numerous countries that have free trade agreements with Panama such as Canada, the European Union, Mexico, Colombia, Peru, Guatemala, Costa Rica, Chile, El Salvador, Honduras, Nicaragua, Dominican Republic, Singapore, and Taiwan.

Table 3. Panama: Select Imported Products and Main Competitors

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages & Disadvantages of Local Suppliers
Corn	Argentina	Competitive Price	Not enough local production
Rice	Guyana and Brazil	Competitive Price	Not enough local production
Pork & Potatoes	Canada	Competitive Price	Better cuts and consumer ready options
Onions	Holland and Peru	Competitive Price	Not enough local productions and better quality
Fresh Fruits (apples, pears, grapes)	Chile	Mostly seasonal difference not real competition	Not produced locally
Snacks	Costa Rica, Colombia, Guatemala and Mexico,	Competitive Price, but U.S. product is preferred	Low local production

IV. BEST PRODUCT PROSPECTS

As a general note, high value products offer good market opportunities in Panama, especially ready-made or convenience foods, and wholesome and healthy products. As a whole, best prospects for U.S. food exports to Panama are bulk commodities such as yellow corn, paddy rice, soybean meal, and wheat flour, as stated in our Exporter Guide Report.

Table 4. Panama: Products Present in the Market that Have Good Sales Potential

Product Category	2015 Market Size (in million USD)	2015 Imports	5-Yr Avg. Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness

Pork	31.1	Deboned Leg	12.6	70% Out of Quota 0% w/TPA Quota	None	Open Market
Poultry	29.0	Breast Cuts	2.0	15% Out of Quota 0% w/TPA Quota	None	Open Market
Pork Fat	0.7	Pork Trimmings	-2.6	15% Out of Quota 0% w/TPA Quota	None	Open Market
Dairy	39.8	Cheese	1.9	20%	None	Open Market

Table 5. Panama: Products Not Present With Good Sales Potential

Boneless Meat	15.9	Chuck Choice	10.5	25% Out of Quota 0% w/TPA Quota	None	Open Market
Seafood	5.4	Mixed Seafood	- 18.2	15%	Needs Plant Approval	Needs Plant Approval

Table 6. Panama: Products Facing Significant Trade Barriers

Table Salt				Needs to contain iodine	
Flour				Needs to contain iron	

V. CONTACT INFORMATION

U.S. Department of Agriculture (USDA)
 Foreign Agricultural Services (FAS)
 Phone: (507) 317-5297
 Fax: (507) 317-5163
 Email: AgPanamaCity@fas.usda.gov
 Website: <http://panama.usembassy.gov/fas.html>